

The Bulletin

January-March
1982

Department of Education

Office of Student Financial Assistance

Notes from the Deputy Assistant Secretary

In the 1980-81 award year, \$2.4 billion was distributed through the Pell Grant Program to 2.7 million students. A Quality Control Study, conducted at the direction of the Office of Student Financial Assistance (OSFA) to determine the rate of error in that year, found serious errors in Pell Grant awards. Most of these errors are the result of inaccurate information reported on the application form, particularly in income related fields.

Specifically, the findings verified a sample of 4,304 Pell Grant applicants and their awards calculated by 305 college financial aid offices. This information was then projected to the program nationwide. The data showed that approximately \$348 million in overpayments and \$47 million in underpayments (a net error of \$301 million) were made due to incorrect information supplied by applicants. Adjusted Gross Income accounted for the largest amount of applicant error, \$125 million in overpayments.

In order to reduce the total error attributable to misreporting by students, strengthened verification measures at the institutional level are necessary for the 1982-83 award year. At this time it has not been determined whether we will require validation of 100 percent of all eligible Pell Grant applicants or of only 700,000 eligible Pell Grant applicants.

The error in the Pell Grant Program is of such magnitude that the Department strongly supports a 100 percent verification effort, focusing on tax return data. However, because of budgetary constraints, we had to request additional funds from Congress to handle increased validation costs for corrections processing, telephone and letter inquiries, and Alternate Disbursement System (ADS) validations. As soon as we hear from Congress that they will approve this request, we will adopt the 100 percent requirement.

If we do not receive this approval within the next few weeks, we will validate only 700,000 applicants. Validating this number will allow us to select all those applicants who in prior years would have had their Student Eligibility Reports returned to them because of inconsistent income information.

The procedures for validating Pell Grant applicants will stay the same, whether we validate 100 percent or 700,000 applicants, with one exception. That exception is listed in paragraph C.

A. All Students selected for validation will be required to submit to their schools, either a copy of their parents', or their own, U.S. income tax returns, or a statement certifying the non-tax filing status claimed on the application. Schools, in turn, must verify that the Adjusted Gross Income and taxes paid reported on the application are correct, or require that the student make corrections.

B. The only other item required for validation will be those parental social security benefits identified as questionable in the match with the tape provided by the Social Security Administration (less than 40,000 applicants nationwide).

C. All students whose Student Aid Reports (SARs) have a total reporting error greater than a certain amount, will have to submit reprocessed SARs to their schools. We realize that the time it takes to get a copy of a tax return, if one was not kept, or to get a correction processed, is often critical to the school and the student because the student is often left without funds to enroll. To alleviate these problems, under the 100 percent requirement *only*, we will allow schools the options of paying up to one-half of the award for the academic year in these circumstances: 1) without the required documentation, and 2) based on the school's recalculation of the student aid index, for all validated students whose reporting error exceeds the tolerance. Schools that exercise these options, however, will be liable for any payments made without the required documents, if they are not submitted, and for any overpayments caused by errors in the calculation of the index. The tolerance figure will be announced as soon as it is set.

Students who are selected for validation under both proposals will be notified on the SAR to submit the appropriate copy of the tax return to their schools, if they or their parents filed a tax return. If a tax return was not filed, or will not be filed, the student will be notified to submit a statement confirming this.

In addition, in order to reduce the number of times the applicant must communicate with the central processor, we will no longer return SARs to

question inconsistencies in reported income and portions and taxes paid. It's unnecessary to return SARs for these reasons — since the tax return under both options will establish the correct Adjusted Gross Income and tax amounts. We will, however, point out the inconsistency to the applicants and aid administrator in a comment in Section 2 of the SAR. (We will continue to return SARs to question inconsistencies in other reported information, and if critical information is missing).

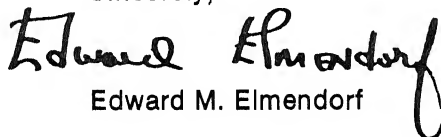
We hope that by concentrating on the use of one document, the tax return, for the verification, and by limiting other institutional validation requirements schools will be able to identify the greatest area of error. It is also our intent to not disrupt schools already doing tax return verification on their own initiative.

I realize that a requirement for validation of all Pell Grant eligible applicants increases the administrative burden at many schools. I believe that by no longer returning the students' SARs for taxable income reasons and by allowing schools the option of making partial Pell Grant payments, we are limiting timing problems and giving the process some flexibility which will be helpful in administering the Pell Grant Program.

I also realize that not having a decision this close to the start of the academic year puts schools in a very difficult position. I assure you that I am doing everything possible to facilitate the decision making process. As soon as a decision is reached, we will let you know through a "Dear Colleague Letter", shortly followed by the *1982-83 Validation Handbook*.

I hope that I can count on your continued support in reducing student error.

Sincerely,


Edward M. Elmendorf

Update on 1982-83 Funding for Campus-Based Program

Processing of 1982-83 FISAP applications is underway. Tentative funding levels for the campus-based programs will be released in late March. In February, institutions were provided with an edited version of their application to correct any errors in the report and application data base. Those corrections are being entered into the system prior to the determination of tentative funding levels.

Institutions will have until April 16 to appeal tentative funding levels. A National Appeal Panel will be convened April 26-30 to review any appeals of these tentative allocations. Final funding levels will be announced to Congress and award letters will be sent to institutions in June.

FSFA Handbook Distribution Completed

All sections of the 1981-82 *Federal Student Financial Aid Handbook* have now been distributed. The final section (Two), "The Pell (Basic Grant Program)" (Chapter 5) was mailed to institutions in late November. The other sections schools have received are Section One (containing Chapter One, "Introduction;" Chapter Two, "Institutional and Program Eligibility;" Chapter Three, "General Provisions;" Chapter Four, "State Student Incentive Grant Program"); Section Three (containing Chapter Six, "Campus-based Programs: Common Elements;" Chapter Seven, "Supplemental Educational Opportunity Grant Program;" Chapter Eight, "College Work-Study Program;" Chapter Nine, "National Direct Student Loan Program"); and Section Four, which contains Chapter 10, "Guaranteed Student Loan Program."

As was the case with the other sections of the handbook, the initial supply (enough copies to provide one per institution) was produced using typed pages as camera-ready copy. This method is quick, but relatively expensive in terms of paper costs.

Our main supply, from which we will fill orders for up to three additional copies, will be typeset. This method takes more time, but saves paper and produces a more readable page.

Note that the typescript version of the Pell Grant chapter contains typographical errors on the worksheets to the sample cases. Replacement pages were distributed with this version, and the errors have been corrected in the typeset version.

Transfer of Pell Grant Payment Methods from DFAFS to ED Finance

The payment systems for SFA program funds, which have been managed by the Departmental Federal Assistance Financing System (DFAFS), are

in various stages of transfer to the ED Finance Division.

The transfer of the institutions receiving only Department of Education (ED) funds from DFAFS will occur during the month of March. This will be the time when many institutions are submitting their Pell Grant February Progress Report. In order to create the least amount of disruption for the school, special arrangements have been made with ED Finance. The February adjustments clearing the Program during March will have a check issued automatically, without a cash request, for 65 percent of the approved adjustment. Any additional funds will have to be requested through ED Finance after April 1, 1982. Inquiries regarding direct payment should be directed to:

Department of Education
Financial Management Service
Division of Cash Outlay
400 Maryland Avenue, S.W.
Washington, D.C. 20202
Telephone (202) 245-8040

or

Department of Education
Financial Management Service
Division of Cash Outlay
Letter of Credit Branch, Rm. 3093
400 Maryland Avenue, S.W.
Washington, D.C. 20202
Telephone: (202) 245-8891

ED Finance will mail the EDPMTS User Manual to all institutions in the Spring.

National Disaster Area Asset Adjustment Instruction Sheets

Pell Grant regulations allow a student who has already applied for a Pell Grant to correct asset data reflected on the Student Eligibility Report (SER), known as the "Student Aid Report" (SAR) in 1982-83, if these two conditions exist:

1. The student or student's parents have suffered a loss of, or damage to, assets already reported to the Pell Grant Program;
and
2. The loss or damage was the result of a natural disaster that occurred in an area declared a National Disaster Area by the President.

A student can correct this asset data by completing and submitting the "National Disaster Area Asset Adjustment Instructions" sheet. During the 1981-82 processing year the Office of Student Financial Assistance (OSFA) will continue to mail these instructions to eligible applicants upon request and the Basic Grant Program Processing Center will still handle completed sheets. In 1982-83, however, the Processing Center (to be called the "Federal Student Aid Programs Processing Center") will mail out requested instruction sheets, as well as process the incoming National Disaster Area Asset Adjustment sheets. Students will be instructed to mail their requests to:

Federal Student Aid Programs
P.O. Box 92500
Los Angeles, California 90009

Post Office Boxes for 1982-83 Federal Student Aid Programs Processing Center

The following are Post Office box numbers for the 1982-83 Federal Student Aid Programs Processing Center (known as the "Basic Grant Processing Center" during 1981-82 processing).

Address:

FEDERAL STUDENT AID PROGRAMS
P.O. BOX XXXXX *
Los Angeles, California 90009

P.O. Box

History Corrections	92440
Program Materials Distribution (Secondary Distribution)	92440

Criteria for Students to Receive Social Security Benefits during "Phase-out" Period

The criteria that must be met in order for a post-secondary student to receive Social Security benefits during the "phase-out" period are as follows:

1. The Individual must have been entitled to child's insurance benefits on any record as either a child, a disabled child, or a student for August 1981.
2. The Individual must be entitled as a student beneficiary.
3. The Individual must have been enrolled full-time at a postsecondary institution for any month prior to May 1982.

The fourth criteria, originally included by the Social Security Administration (i.e., that the student attain age 18 prior to August, 1982), is no longer applicable.

Correction to the Pell Grant Calculation Workbook

The case study on pp. 24-25 of the *Pell (Basic) Grant Calculations Workbook* incorrectly shows a student being underawarded as a result of a procedure that is designed to prevent overawarding.

When a student reaches the summer term and has some entitlement remaining (assuming that the summer term is considered the last part of the current academic year), the student should receive a "nor-

mal' disbursement or the remainder of his or her entitlement, whichever is less. The error in the case study is in how "remainder of entitlement" is construed.

The student is enrolled full-time in the summer quarter with $\frac{1}{4}$ of her entitlement remaining for the 1980-81 total \$1,299. A "normal" full-time quarter's award would be \$583, which should bring the total received to \$1,882—an overaward. The student's summer term payment should be reduced to \$451, thus bringing the total received to \$1,750 for 1980-81.

However, the example in the *Calculations Workbook* assumes that since the student has $\frac{1}{4}$ of her entitlement remaining for the summer quarter, and a "normal" payment would be too much, she can receive no more than $\frac{1}{4}$ of \$1,750, or \$438. This results in a slight underaward.

The error lies in assuming that "remainder of entitlement" means that the award cannot exceed \$1,750 divided by 4, or \$438. Actually, since she has received 1,299 (or 74.22% of her entitlement) at the end of the spring quarter, a summer payment of \$451 (the remaining 25.78% of her entitlement) will bring her to 100%.

ED Form 574 Due March 26

ED Form 547, Report of Defaulted Loans as of December 31, 1981, has been sent to all institutions participating in the National Direct Student Loan Program. The revised deadline date for the report to be returned to the Office of Student Financial Assistance is March 26.

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